

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Highland Park, Michigan	County Wayne
Fiscal Year End June 30, 2007	Opinion Date November 9, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

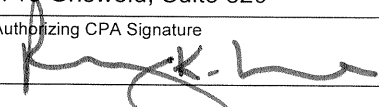
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	To be issued in January 2008	
Other (Describe)	<input type="checkbox"/>	Single Audit to be issued in January 2008	
Certified Public Accountant (Firm Name) Randy K. Lane, P.C.		Telephone Number 313-961-1181	
Street Address 719 Griswold, Suite 820		City Detroit, MI 48226	State Zip
Authorizing CPA Signature 	Printed Name Randy K. Lane		License Number 1101016421

**CITY OF HIGHLAND PARK, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CITY OF HIGHLAND PARK, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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## **City of Highland Park**

12050 Woodward Avenue  
Highland Park, Michigan 48203

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**Administration**  
**Blackwell, II**

**Emergency Financial Manager, Arthur**

To the Honorable Mayor, Members of the

City Council and Citizens

City of Highland Park, Michigan:

This letter serves as an introduction to the Audited Financial Statements for the 2007 Fiscal year. The purpose of this letter is to highlight the accomplishments achieved during the past twelve months and the significant financial matters noted in the financial statements.

In June 2001, the State of Michigan (State) appointed an emergency financial manager to take over operations of the city and create a plan to correct the significant operating and structural problems that exist in the city. In April 2005, the State determined the emergency financial manager originally appointed had completed her assessment of the city's issues and appointed me as the new emergency financial manager (EFM) to concentrate primarily on economic development and continue to develop a long-term recovery plan. As the new EFM, I have agreed to a salary of \$1 per year, saving the City \$113,999 annually. The results summarized below are for the fiscal year 2007 operations.

### **General Fund**

The General Fund is the primary operating fund of the City. The primary operating revenues are property taxes, income taxes and state shared revenue. The operating revenue is used to fund the basic operations of the city such as police and fire protection services, refuse pickup, code enforcement and general government functions such as election, tax collections and community development.

**"Return to Excellence"**

During the past year, my concentration was on eliminating the General Fund's annual operating deficit and cumulative deficit as well as eliminating opinion qualifications noted in the June 30, 2006 financial statements. The financial statements for the year ended June 30, 2006 contained an estimated liability related to accrued sick and vacation payouts due employees who left employment during 2001. The liability had to be estimated at the time because the City did not have adequate records to support any balances. Since that time, numerous payouts had been made and balances for current and former employees have been calculated. During 2007, the City was able to determine that no additional liabilities exist related to those employees and the estimated liability that remained unchanged since 2001 should be written off. The result was a prior period adjustment during the current year of \$1,450,000.

The financial highlights for the General Fund include increases in revenue and decreases in expenditures resulting in an operating surplus of approximately \$340,000. The financial results reflect my efforts on promoting economic development with an increase in property taxes of approximately 7% and an increase in income tax revenue of approximately 10%. The property tax and income tax growth come at a time when most cities are experiencing little or no growth due to the state's economy. Changes to the City's healthcare agent and workers compensation carrier have resulted in substantial savings in both areas. In addition, the in house city attorneys have been very successful at reducing not only total attorney costs but the payouts for court judgments as well.

During the year ended June 30, 2007, the General Fund borrowed \$1,000,000 from the State in the form of an emergency loan. The loan was necessary to provide the city the financial means to make payments to vendors on old outstanding debts while having enough cash to pay current operating expenditures such as payroll and related fringe benefit costs. The State's loan program has favorable repayment terms and was the best and only avenue to borrow the funds.

The audit report for the year ended June 30, 2007 and June 30, 2006 shows the General Fund had a fund deficit of \$474,368 and \$3,679,800 respectively. The General Fund had an operating surplus totaling \$339,468 for the year ended June 30, 2007 compared to an operating deficit of \$1,853,283 for the year ending June 30, 2006. The elimination of the operating deficit during the past year is a significant development for the City. The results from operations for both of the above years, however, do not include any required contributions to the MERS or ERS pension plans.

As the EFM, I continue to make eliminating the annual operating deficit and cumulative deficit a high priority and have taken many steps toward that goal in

my two years at the City. I have many additional projects I have identified and have spelled out to the State of Michigan in my deficit elimination plan filed in August 2006 to eliminate the deficit in the coming years. I continue to work with my management team of current employees, current contractors and other business professionals to review the finances and all other areas within the City and continue to make improvements.

### **Component Units**

The current year financial results include the information for the Tax Increment Finance Authority (TIFA). A portion of the TIFA's finances and recording keeping were maintained by a third party and were not audited or forwarded to the City for review and inclusion in the annual financial statements. During the upcoming year, all remaining cash will be turned over to the City.

### **Water and Sewer Fund**

General Fund cash flow continues to be crippled by the Water and Sewer Fund's inability to repay the outstanding loan balance of approximately \$3.25 million at June 30, 2007. The loan balance is a result of the City of Detroit garnishing the General Fund's state shared revenue in a prior year (prior to 2001) to pay delinquent sewer bills. The City had a significant rate increase in a prior year but billing and collection continue to be a problem. The system continues to have zero cash reserves and is strained by infrastructure problems resulting from failure to perform necessary maintenance over the years prior to the financial emergency.

As EFM, I ensured the City became current with the billing of all customers and reviewed all expenditure areas in detail. As a result, the fund for a second straight year had net income. Net income totaled \$126,546 and \$1,084,309 for the year ended June 30, 2007 and 2006, respectively. The increase in net income also resulted in an increase in cash flow of approximately \$458,000. The increase in cash flow was the primary reason the fund was able to repay part of the interfund loan to the General Fund. I continue to explore items such as having a third party read meter, bill and collect on behalf of the city, purchasing meters that can be read remotely, monthly billings and several other items. I continue to explore opportunities related to the water treatment plant. The plant was built to handle the water needs of a population of more than 50,000 people. The large plant now only serves 15,000 people and has excess capacity that could be used by other communities.

### **Pension Plans**

The most significant issue facing the City in the 2007/2008 fiscal year is the funding of the MERS and Employee defined benefit pension plans. Both systems are set to run out of reserves during February 2008. Voters approved an unlimited tax mileage to fund debt service related to pension bonds in November 2007. The City also decided not to continue contracting police services and has resumed in house police officers. This move is estimated to save the General Fund approximately \$1,000,000 annually with the saving being used to fund the debt service on pension bonds. I am now in the process of working with the State and other financial experts to get pension bonds issued prior to February 2008 to ensure no break in pension benefits. The unfunded pension obligation for the MERS and Employee systems per the June 30, 2006 actuary reports are approximately \$17,000,000 and \$7,000,000, respectively. In addition to the MERS and Employee systems, the City is also under a court order to pay the pension benefits to retirees in the Police and Fire Defined Benefit Pension Plan. The Police and Fire plan ran out of reserves during the 2003 fiscal year. The unfunded pension obligation for all plans totals approximately \$31,000,000 at June 30, 2007. The annual required contribution from the General Fund for all plans totals approximately \$4,200,000 (38 % of annual operating revenues). The City has been unable to make the required contributions every year before and during the appointment of the emergency financial manager.

### **Post Employment Healthcare Benefits**

In addition to the pension benefit obligations noted above, the City is also obligated under the union contracts of retirees to provide healthcare benefits. The General Fund pays for most of the monthly benefits for retirees and has no reserves established at June 30, 2007. The General Employees Defined Benefit Plan currently pays these benefits from system reserves. The estimated liability related to post employment healthcare benefits totals \$35,000,000.

### **Conclusion**

Since the appointment of an emergency financial manager in June 2001, City's annual operating deficit has decreased from approximately \$3.9 million in 2001 to a surplus of \$339,000 in 2007. The reductions have come primarily through reductions to full time employees and eliminating city programs and services such as closing the library and recreation centers. The General Fund deficit has decreased from \$11.3 million in 2001 to \$474,000 in 2007 primarily as a result of operating surpluses, cost associated with staff reductions (unemployment, sick and vacation bank payoffs, etc.) offset by the issuance of over \$10 million in new debt and over \$9 million in debt forgiveness.

The City has borrowed all the debt allowed by law. Even if the operating budget were to be balanced, no resources would be available to pay down past debts and make required pension payments, capital outlays and improvements necessary for the City to continue as a going concern. The current recovery plan will continue to focus on economic development, increasing property tax and income tax revenues and cutting costs to ensure the City can continue as a going concern.

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*Arthur Blackwell II*, Emergency Financial Manager



RANDY K. LANE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Emergency Financial Manager, Honorable Mayor  
and Members of the City Council,  
City of Highland Park, Michigan:

We have audited the accompanying financial statements of the CITY OF HIGHLAND PARK, MICHIGAN (the "City"), as of and for the fiscal year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the Tax Increment Finance Authority - Component Unit have not been audited, we were not engaged to audit the Tax Increment Finance Authority financial statements as part of our audit of the City's financial statements. The Tax Increment Finance Authority's financial activities are included in the City's financial statements as a discretely presented component unit, and represent 100 percent of the assets, equity, and revenues of the City's discretely presented component units.

As further described in Note 1, these financial statements do not purport to present, and do not present, the financial position, results of operations and proprietary cash flows of the City in accordance with accounting principles generally accepted in the United States of America. These financial statements depart from generally accepted accounting principles for a variety of reasons including the failure to: (a) adopt new financial reporting requirements; (b) provide certain required disclosures and supplemental information; (c) properly classify certain transactions; and (d) be derived from complete and accurate accounting records.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Tax Increment Finance Authority's financial statements been audited, and because of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Highland Park, Michigan as of June 30, 2007, or results of its operations or the cash flows of its proprietary fund for the year then ended.

RANDY K. LANE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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As discussed in Note 4-H to the financial statements, the City has given retroactive effect to a correction in previously recorded accrued liabilities for sick and vacation payouts in the General Fund.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 4-G to the financial statements, the City has suffered significant recurring deficits in the General Fund, and Water and Sewer Enterprise Fund, and may have insufficient resources to pay certain pension benefits and other potential obligations, that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 4-G. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the City of Highland Park, Michigan's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part the financial statements of the City. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, as described in the forth and fifth paragraphs of this report, does not purport to be presented and is not fairly presented in all material respects in relation to the financial statements taken as a whole.



November 9, 2007.

# **FINANCIAL STATEMENTS**

CITY OF HIGHLAND PARK, MICHIGAN  
 COMBINED BALANCE SHEET  
 ALL FUNDS TYPES AND ACCOUNT GROUPS  
 AS OF JUNE 30, 2007

	General	Special Revenue	Debt Service	Enterprise - Water and Sewer	Fiduciary - Trust and Agency	General Fixed Assets	General Long-Term Debt	Total Primary Government (Memorandum Only)	Component Unit (UNAUDITED)
<u>ASSETS AND OTHER DEBITS</u>									
ASSETS:									
Cash and cash equivalents	\$959,052	\$1,711,017	\$ -	\$892,031	\$2,589,010	\$ -	\$ -	\$6,151,110	\$341,120
Cash and cash equivalents – restricted	829,617	-	-	-	-	-	-	829,617	-
Investments	-	1,398,545	-	194,964	2,171,969	-	-	3,765,478	-
Receivables:									
Delinquent property taxes	1,144,455	-	-	-	-	-	-	1,144,455	-
Income taxes	289,887	-	-	-	-	-	-	289,887	-
Accounts, net	-	-	-	4,244,021	-	-	-	4,244,021	-
Due from other governments	629,321	235,346	-	-	-	-	-	864,667	-
Due from primary government	-	-	-	-	-	-	-	-	437,041
Due from other funds	581,387	1,027	-	268,655	-	-	-	851,069	-
Advances to other funds	3,249,906	892,305	-	-	267,040	-	-	4,409,251	-
Deposits and prepaid items	42,825	-	-	-	62,072	-	-	104,897	-
Fixed assets, net	-	-	-	6,804,002	-	10,177,487	-	16,981,489	-
Other long-term receivables	-	-	-	-	-	-	-	-	3,808,729
OTHER DEBITS:									
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	36,252,039	36,252,039	-
TOTAL ASSETS AND OTHER DEBITS	\$7,726,450	\$4,238,240	\$ -	\$12,403,673	\$5,090,091	\$10,177,487	\$36,252,039	\$75,887,980	\$4,586,890
<u>LIABILITES, EQUITY AND OTHER CREDITS</u>									
LIABILITIES:									
Accounts payable	\$5,294,960	\$23,944	\$ -	\$4,187,874	\$22,464	\$ -	\$ -	\$9,529,242	\$ -
Accrued liabilities	734,968	-	-	17,846	-	-	13,820,117	14,572,931	-
Accrued compensated absences	-	-	-	191,308	-	-	949,725	1,141,033	-
Due to other governments	-	29,526	-	-	905,582	-	-	935,108	-
Due to component unit	407,166	-	-	-	29,875	-	-	437,041	-
Due to other funds	-	31,130	-	-	819,939	-	-	851,069	-
Advances from other funds	1,159,345	-	-	3,249,906	-	-	-	4,409,251	-
Deferred revenue	211,370	68,737	-	-	-	-	-	280,107	-
Deposits payable	-	-	-	-	476,043	-	-	476,043	-
Income tax refunds payable	393,009	-	-	-	-	-	-	393,009	-
Long-term debt	-	-	-	5,069,898	-	-	21,482,197	26,552,095	-
Total liabilities	8,200,818	153,337	-	12,716,832	2,253,903	-	36,252,039	59,576,929	-
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	-	-	-	-	-	10,177,487	-	10,177,487	-
Equity (Accumulated deficit)	-	-	-	(313,159)	-	-	-	(313,159)	4,586,890
Fund balances (deficits):									
Reserved for employees' retirement	-	-	-	-	2,836,188	-	-	2,836,188	-
Reserved for advances	3,249,906	892,305	-	-	-	-	-	4,142,211	-
Reserved for insurance proceeds	415,964	-	-	-	-	-	-	415,964	-
Unreserved, undesignated	(4,140,238)	3,192,598	-	-	-	-	-	(947,640)	-
Total equity and other credits	(474,368)	4,084,903	-	(313,159)	2,836,188	10,177,487	-	16,311,051	4,586,890
TOTAL LIABILITES, EQUITY AND OTHER CREDITS	\$7,726,450	\$4,238,240	\$ -	\$12,403,673	\$5,090,091	\$10,177,487	\$36,252,039	\$75,887,980	\$4,586,890

The accompanying notes are an integral part of this statement.

CITY OF HIGHLAND PARK, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENT TYPES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Fund Types</u>			<u>Totals Primary Government (Memorandum Only)</u>	<u>Component Unit (UNAUDITED)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		
REVENUES:					
Property taxes	\$5,088,702	\$ -	\$ -	\$5,088,702	\$69,639
Income taxes	2,535,204	-	-	2,535,204	-
Licenses and permits	57,942	-	-	57,942	-
Intergovernmental	4,053,735	2,929,835	-	6,983,570	-
Charges for services	450	-	-	450	-
Fines and forfeitures	711,826	-	-	711,826	-
Rental income	-	1,070,690	-	1,070,690	-
Interest and investment earnings	113,378	155,420	-	268,798	18,905
Other	1,029,222	1,027	-	1,030,249	-
	-----	-----	-----	-----	-----
Total revenues	13,590,459	4,156,972	-	17,747,431	88,544
	-----	-----	-----	-----	-----
EXPENDITURES:					
Current -					
General government	2,808,665	9,345	-	2,818,010	-
Public safety	4,855,846	-	-	4,855,846	-
Public works	618,830	1,935,022	-	2,553,852	-
Health and welfare	-	969,542	-	969,542	-
Other departments	1,234,163	-	-	1,234,163	-
Employee benefits	2,296,614	-	-	2,296,614	-
Component Unit -					
Tax Increment Finance Authority	-	-	-	-	12,000
Debt Service -					
Principal	295,000	-	425,000	720,000	-
Interest and fiscal changes	688,876	-	702,538	1,391,414	-
Debt issuance costs	37,033	-	-	37,033	-
	-----	-----	-----	-----	-----
Total expenditures	12,835,027	2,913,909	1,127,538	16,876,474	12,000
	-----	-----	-----	-----	-----
Revenues over (under) expenditures	755,432	1,243,063	(1,127,538)	870,957	76,544
	-----	-----	-----	-----	-----
OTHER FINANCING SOURCES (USES):					
Emergency loan proceeds	1,000,000	-	-	1,000,000	-
Transfers in	-	1,384,212	1,127,538	2,511,750	-
Transfers out	-	(1,127,538)	(1,384,212)	(2,511,750)	-
	-----	-----	-----	-----	-----
Total other financing sources (uses)	1,000,000	256,674	(256,674)	1,000,000	-
	-----	-----	-----	-----	-----
Revenues and other sources over expenditures and other (uses)	1,755,432	1,499,737	(1,384,212)	1,870,957	76,544
	-----	-----	-----	-----	-----
FUND BALANCES (DEFICIT), Beginning of year –RESTATED – Note 4-H	(2,229,800)	2,585,166	1,384,212	1,739,578	4,510,346
	-----	-----	-----	-----	-----
FUND BALANCES (DEFICIT), End of year	\$(474,368)	\$4,084,903	\$ -	\$3,610,535	\$4,586,890
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF HIGHLAND PARK, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General Fund			Special Revenue Fund			Debt Service Fund		
	Budget	Actual	Variance - favorable (unfavorable)	Budget	Actual	Variance - favorable (unfavorable)	Budget	Actual	Variance - favorable (unfavorable)
REVENUES:									
Property taxes	\$4,982,880	\$5,088,702	\$105,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income taxes	2,383,000	2,535,204	152,204	-	-	-	-	-	-
Licenses and permits	50,000	57,942	7,942	-	-	-	-	-	-
Intergovernmental	4,096,470	4,053,735	(42,735)	2,210,026	2,929,835	719,809	-	-	-
Charges for services	10,000	450	(9,550)	-	-	-	-	-	-
Fines and forfeitures	670,000	711,826	41,826	-	-	-	-	-	-
Rental income	-	-	-	1,130,000	1,070,690	(59,310)	-	-	-
Interest and investment earnings	90,000	113,378	23,378	10,800	155,420	144,620	-	-	-
Other	915,965	1,029,222	113,257	1,000	1,027	27	-	-	-
Total revenues	13,198,315	13,590,459	392,144	3,351,826	4,156,972	805,146	-	-	-
EXPENDITURES:									
Current -									
General government	2,926,622	2,808,665	117,957	10,000	9,345	655	-	-	-
Public safety	4,852,287	4,855,846	(3,559)	-	-	-	-	-	-
Public works	622,571	618,830	3,741	1,000,000	1,935,022	(935,022)	-	-	-
Other departments	1,361,667	1,234,163	127,504	1,110,026	969,542	140,484	-	-	-
Employee benefits	2,509,053	2,296,614	212,439	-	-	-	-	-	-
Debt Service -									
Principal	295,000	295,000	-	-	-	-	425,000	425,000	-
Interest and fiscal changes	688,877	688,876	1	-	-	-	705,000	702,538	2,462
Debt issuance costs	37,033	37,033	-	-	-	-	-	-	-
Total expenditures	13,293,110	12,835,027	458,083	2,120,026	2,913,909	(793,883)	1,130,000	1,127,538	2,462
Revenues over (under) expenditures	(94,795)	755,432	850,227	1,231,800	1,243,063	11,263	(1,130,000)	(1,127,538)	2,462
OTHER FINANCING SOURCES (USES):									
Emergency loan proceeds	1,000,000	1,000,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	1,384,212	1,384,212	1,130,000	1,127,538	(2,462)
Transfers out	-	-	-	(1,130,000)	(1,127,538)	2,462	-	(1,384,212)	(1,384,212)
Total other financing sources (uses)	1,000,000	1,000,000	-	(1,130,000)	256,674	1,386,674	1,130,000	(256,674)	(1,386,674)
Revenues and other sources over expenditures and other (uses)	905,205	1,755,432	850,227	101,800	1,499,737	1,397,937	-	(1,384,212)	(1,384,212)
FUND BALANCES (DEFICIT), Beginning of year – RESTATED– Note 4-H	(2,229,800)	(2,229,800)	-	3,969,378	2,585,166	(1,384,212)	-	1,384,212	1,384,212
FUND BALANCES (DEFICIT), End of year	\$(1,324,595)	\$(474,368)	\$850,227	\$4,071,178	\$4,084,903	\$13,725	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

CITY OF HIGHLAND PARK, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT  
ENTERPRISE FUND – WATER AND SEWER

FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES:	
Charges for service	\$5,310,100
Penalties	294,155
Other revenue	197,223
	-----
Total operating revenues	5,801,478
	-----
OPERATING EXPENSES:	
Sewage and disposal	4,115,045
Water production and distribution	1,129,025
Water administration	406,027
Repairs and maintenance	-
Bad debt expense (recovery)	(304,233)
Depreciation	238,080
	-----
Total operating expenses	5,583,944
	-----
Operating income	217,534
	-----
NON-OPERATING REVENUES (EXPENSES):	
Interest and investment earnings	37,759
Interest expense	(128,747)
	-----
Total non-operating expenses, net	(90,988)
	-----
Net income	126,546
ACCUMULATED DEFICIT, Beginning of year	(439,705)
	-----
ACCUMULATED DEFICIT, End of year	\$(313,159)
	=====

The accompanying notes are an integral part of this statement.

CITY OF HIGHLAND PARK, MICHIGAN

STATEMENT OF CASH FLOWS  
ENTERPRISE FUND – WATER AND SEWER

FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$217,534
Adjustments to reconcile operating income to net cash used in operating activities-	
Depreciation	238,080
Changes in operating assets and liabilities-	
Accounts receivable	(1,060,052)
Deposits and prepaid items	(260,330)
Accounts payable	1,703,979
Accrued liabilities	31,753
Advances from other funds	(134,559)
	-----
Net cash provided by operating activities	736,405
	-----

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Bond principal payments	(160,000)
Interest paid	(128,747)
	-----
Net cash used in capital and related financing activities	(288,747)
	-----

CASH FLOWS FROM INVESTING ACTIVITIES:

(Purchases) sales of investments, net	(27,552)
Earnings on investments	37,759
	-----
Net cash provided by investing activities	10,207
	-----

NET INCREASE IN CASH AND CASH EQUIVALENTS	457,865
---	---------

CASH AND CASH EQUIVALENTS, Beginning of year	434,166
--	---------

CASH AND CASH EQUIVALENTS, End of year	\$892,031
--	-----------

=====

The accompanying notes are an integral part of this statement.



CITY OF HIGHLAND PARK, MICHIGAN

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS  
AVAILABLE FOR RETIREMENT BENEFITS

FOR THE YEAR ENDED JUNE 30, 2007

ADDITIONS:

Investment income -	
Interest and dividends	\$112,045
Net appreciation in fair value of investments	368,448
Less investment expense	(1,040)
	-----
Total investment income	479,453
	-----

Contributions -	
Employer	1,528,866
Employees	1,617
	-----
Total contributions	1,530,483
	-----

Total additions	2,009,936
	-----

DEDUCTIONS:

Pension benefits	2,560,736
Health care benefits, net	656,628
Administrative expenses	1,265
	-----

Total deductions	3,218,629
	-----

NET DECREASE	(1,208,693)
--------------	-------------

NET ASSETS HELD IN TRUST FOR BENEFITS:

Beginning of year	4,044,881
	-----
End of year	\$2,836,188
	=====

The accompanying notes are an integral part of this statement.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and financial reporting, taken as a whole, of the City of Highland Park, Michigan (the "City" or the "government") do not conform to accounting principles generally accepted in the United States of America as applicable to governmental units because:

1. The City has not adopted the financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*, nor Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which were first effective for the City for the fiscal year ended June 30, 2003. Instead, management has elected to present the financial statements in accordance with the financial reporting model in effect prior to GASB Statement No. 34. This decision was based primarily on monetary priorities established by the State-appointed Emergency Financial Manager (EFM), who was placed in charge of the City due to its severe financial problems. Further information regarding the City's financial condition is provided in other notes.
2. The general fixed assets account group does not include all assets acquired prior to June 30, 1999, nor does the City have adequate or complete accounting records, or a physical inventory, to support the general fixed assets reported. Also, the City does not have adequate or complete accounting records to support the fixed assets reported in the enterprise fund or physical inventory records to substantiate their existence or value.

**1-A. Reporting Entity**

The City is a municipal corporation that under normal circumstances is governed under a mayor/council form of government. However, as a result of the City's significant financial problems, the Governor appointed an Emergency Financial Manager (EFM) in June 2001 to run the City. In April 2005, a new EFM was appointed for at least an additional two-year period, and is continuing on an extended indefinite basis.

These financial statements present the government and its blended component unit, and its single discretely presented component unit. Component units are entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements, to emphasize they are legally separate from the City. The City's component units have June 30 year-ends.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

*Blended Component Unit.* The Building Authority is governed, under normal circumstances, by a board appointed by the City Council; however, it too is currently governed by the State-appointed Emergency Financial Manager. The Building Authority's sole function is to oversee the financing and acquisition/construction of the City's public buildings; therefore, it is reported as if it were part of the primary government.

*Discretely Presented Component Unit.* The Tax Increment Finance Authority (TIFA) is responsible for certain revitalization projects and activities in the City. The members of the TIFA's governing board are appointed by the primary government. A summary of the TIFA's unaudited financial information has been included in these financial statements.

**1-B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Account groups are a reporting device to account for certain assets and liabilities of the governmental fund not recorded directly in those funds.

The government has the following fund types and account groups:

**Governmental funds** are used to account for the government's general activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all non-exchange revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on general long-term debt, which is recognized when due. Certain compensated absences obligations and claims and judgments, which are recognized when such obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlement and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditures-driven grants, if any, are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

The *special revenue funds* account for revenue sources that are legally restricted to expenditures incurred for specific purposes.

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

**Proprietary fund** reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets and is presented using the economic resources measurement focus and accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City has one proprietary fund, an *enterprise fund*. The enterprise fund accounts for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City applies all applicable FASB pronouncements issued prior to November 30, 1989, in accounting and reporting for its proprietary operations.

**Fiduciary funds** account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

The *pension trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same economic resources measurement focus and accrual basis of accounting. The pension trust funds account for the assets of the government's single-employer defined benefit pension plans.

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

**Account Groups.** The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

**1-C. Assets, Liabilities and Equity**

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three-months or less from the date of acquisition. Investments are stated at fair market value.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Pension trust funds are authorized under the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

**Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion and interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds or component units."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. Substantial portions of the outstanding interfund borrowings occurred prior to the appointment of the EFM, were not authorized under State law, and may result in fines and /or penalties to the City.

**Fixed Assets**

Fixed assets used in governmental fund types of the government are recorded in the general fixed assets account group at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment are depreciated in the proprietary fund using the straight-line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings, plants and mains	75
Building improvements	25-50
Machinery and equipment	15

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**Compensated Absences**

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

**Long-Term Obligations**

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current expendable available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in that fund as appropriate.

**Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings, if any, are limited to outside third-party restrictions. Designations of fund balance, if any, represent tentative management plans that are subject to change.

Amounts reserved for advances to other funds may be subject to write-off or adjustment based on management's assessment of the likelihood of the payment and the impact of the write-offs.

**Memorandum Only - - Total Columns**

Total columns on the financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund elimination have not been made in the aggregation of this data.

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary Information**

An annual budget is adopted on the modified accrual basis consistent with generally accepted accounting principles for the governmental funds. All annual appropriations lapse at fiscal year-end. Currently, the budgets are adopted by the directive of the EFM.

The appropriated budget is prepared by function and department. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year, which were not considered material. The government does not utilize encumbrance accounting.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**2-B. Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2007, expenditures exceeded appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Public safety	\$4,852,287	\$4,855,846	\$(3,559)

**2-C. Deficit Fund Equity**

At June 30, 2007, the General Fund had an unreserved deficit fund balance of \$4,140,238; the total fund balance deficit was \$474,368. Also at June 30, 2007, the Water and Sewer enterprise fund had a total retained deficit of \$313,159; after considering the fund's investment in fixed assets net of related debt of \$1,734,104, its working capital deficit was \$2,047,263.

**(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**3-A. Deposits and Investments**

A reconciliation of cash, cash equivalents and investments as shown in the Combined Balance Sheet follows:

Cash and cash equivalents	\$6,151,110
Cash and cash equivalents – restricted	829,617
Investments	3,765,478
	-----
	\$10,746,205
	=====
Bank deposits	\$5,437,297
Investments in securities and mutual funds	5,304,228
Cash on hand	4,680
	-----
	\$10,746,205
	=====

*Custodial Credit Risk – Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may be returned to the government. At year-end, \$5,877,603 of the City total bank balance of \$5,977,603 (total book balance was \$5,437,297) was exposed to custodial credit risk as it was uninsured and uncollateralized.



CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

*Custodial Credit Risk – Investments.* Following is a summary of the City's Investments as of June 30, 2007:

Money market accounts	\$1,030,904
U.S. treasuries	1,203,925
Government external investment pool	904,097
Domestic equities (pension)	1,252,014
Domestic equity mutual fund (pension)	301,489
Cash value of life insurance (pension)	611,799
	-----
Total	\$5,304,228
	=====

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. As of June 30, 2007, none of the City's investments, excluding the government external investment pool and money market accounts, which are not subject to custodial credit risk were exposed to risk since the securities are held in the City's name by the counterparty. The City has no policy regarding custodial credit risk of the investments.

*Credit risk.* The City's investments in U.S. treasuries, money market accounts and external investment pool are not rated. The City has no policies regarding credit risk.

*Concentration of Credit Risk.* At June 30, 2007, the investment portfolio was concentrated (i.e., five percent or more of the portfolio in the securities of single issue or issuer) in the cash value of life insurance (which is policy on the life of a City resident that has a current death benefit of approximately \$1,415,000). The City has no policies regarding the concentration of credit risk.

*Interest Rate Risk.* As of June 30, 2007, all of the City's investments in U.S. treasuries, as well as its investments in money market accounts and external investment pool, had maturities of less than one-year. The City has no policies regarding interest rate risk.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**3-B. Fixed Assets**

Following is a summary of changes in general fixed assets:

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007
Land	\$582,270	\$ -	\$ -	\$582,270
Buildings	8,966,225	-	-	8,966,225
Vehicles	391,754	-	-	391,754
Equipment	237,238	-	-	237,238
	-----	-----	-----	-----
Totals	\$10,177,487	\$ -	\$ -	\$10,177,487
	=====	=====	=====	=====

A summary of enterprise fund fixed assets at June 30, 2007, is as follows:

Land, buildings, plants and mains	\$9,912,523
Machinery and equipment	1,514,504
	-----
	11,427,027
Less: Accumulated depreciation	(4,623,025)
	-----
Total	\$6,804,002
	=====

**3-C. Tax Refund Payables**

As of June 30, 2007, the City's financial statements reflect \$393,009 in income tax refund payables. This balance is an estimate of amounts owed by the City to individuals and businesses for overpayment of taxes.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3-D. Long-Term Debt**

On September 19, 2006, the City issued a \$1,000,000 State of Michigan Emergency Loan Note. The note's principal shall be re-paid in ten annual installments of \$100,000, beginning on September 19, 2016. The note bears an annual variable interest rate as of June 30, 2007 of 4.135%, Interest accruing from the date of issue through June 30, 2007 equals approximately \$32,200, and is payable on September 19, 2007. Subsequent years interest rate shall be determined by the State and commence on July 1<sup>st</sup> until the note is paid in full.

The following is a summary of the City's debt outstanding as of June 30, 2007:

				<u>Principal Outstanding</u>	
	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Enterprise Fund</u>	<u>General Long-Term Debt</u>
Building Authority bonds	1	7.75%	2018	\$ -	\$8,745,000
Pension bonds	1	2.15-6.875%	2034	-	5,840,000
Fiscal stabilization bonds	2	2.0-6.0%	2023	-	4,775,000
State emergency loan - 2002	1	variable	2022	-	1,000,000
Revenue bonds	1	2.5%	2029	5,069,898	-
State emergency loan - 2006	1	variable	2027	-	1,000,000
Lease obligations	1	-	2009	-	122,197
Net pension obligation	-	-	-	-	12,786,617
Workers Compensation	-	-	-	-	604,000
Lawsuits and claims	-	-	-	-	429,500
Compensated absences	1	-	-	-	949,725
				-----	-----
				\$5,069,898	\$36,252,039
				=====	=====

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
(Continued)

Annual fixed debt service requirements to maturity for general long-term debt, including interest of \$13,036,154 are as follows:

	<u>Building Authority Bonds</u>	<u>Pension/Fiscal Stabilization Bonds</u>	<u>State Emergency Loans</u>	<u>Lease Obligations</u>	<u>Total</u>
2008	\$1,130,019	\$900,938	\$ -	\$67,530	\$2,098,487
2009	1,127,594	895,608	-	67,530	2,090,732
2010	1,128,750	894,289	-	-	2,023,039
2011	1,131,219	896,846	-	-	2,028,065
2012	1,130,688	897,738	-	-	2,028,426
2013-17	5,641,163	4,531,073	300,000	-	10,572,236
2018-22	2,260,315	4,192,041	1,000,000	-	7,452,356
2023-27	-	2,546,600	700,000	-	3,146,600
2028-32	-	2,200,210	-	-	2,200,210
2033-35	-	878,200	-	-	878,200
	-----	-----	-----	-----	-----
	13,549,748	18,833,543	2,000,000	135,060	34,518,351
Interest	(4,804,748)	(8,218,543)	-	(12,863)	(13,036,154)
	-----	-----	-----	-----	-----
	\$8,745,000	\$10,615,000	\$2,000,000	\$122,197	\$21,482,197
	=====	=====	=====	=====	=====

Annual debt service requirements to maturity for enterprise fund revenue bonds, including interest of \$1,609,920, are as follows:

2008	\$289,685
2009	290,497
2010	291,185
2011	291,747
2012	292,185
2013-17	1,448,675
2018-22	1,457,175
2023-27	1,448,175
2028-30	870,494
	-----
	6,679,818
Interest	(1,609,920)
	-----
	\$5,069,898
	=====

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
(Continued)

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 2007:

	Balance at June 30, 2006	Increases	Deductions	Balance at June 30, 2007
<b>General long-term debt</b>				
Building Authority Bonds	\$9,170,000	\$ -	\$(425,000)	\$8,745,000
Pension bonds	5,925,000	-	(85,000)	5,840,000
Fiscal stabilization bonds	4,985,000	-	(210,000)	4,775,000
State emergency loans	1,000,000	1,000,000	-	2,000,000
Lease obligations	177,415	-	(55,218)	122,197
Net pension obligation	-	12,786,617	-	12,786,617
Workers compensation	-	626,000	(22,000)	604,000
Lawsuits and claims	471,792	272,800	(315,092)	429,500
Compensated absences	832,918	116,807	-	949,725
	-----	-----	-----	-----
	\$22,562,125	\$14,802,224	\$(1,112,310)	\$36,252,039
	=====	=====	=====	=====
<b>Enterprise fund</b>				
Revenue bonds	\$5,229,898	\$ -	\$(160,000)	\$5,069,898
	=====	=====	=====	=====

Further information regarding the lawsuits and claims are presented in Note 4-F. Payments on lawsuits and claims are reported as legal costs under general government expenditures in the general fund.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**(4) OTHER INFORMATION**

**4-A. Property Taxes**

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Wayne County. Assessed values, as established annually by the City and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2006 levy were assessed and equalized at \$155,884,945 (not including properties subject to Industrial Facilities Tax exemption). The City's general operating tax rate of fiscal 2006-07 was 19.3141 mills with an additional 9.1000 and 2.8971 mills levied for judgments and refuse collection, respectively.

Property taxes for the TIFA are derived from a tax increment financing agreement between the TIFA and other taxing districts. Under this arrangement, the TIFA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City, which are within the TIFA district. Property taxes are recognized in the fiscal year in which they are levied.

**4-B. Risk Management**

The City is exposed to various risks of loss related to property damage, torts, errors and omissions, and employee injuries, as well as for medical benefits provided to employees. Following is a summary of the City's risk management programs:

**General Liability.** The City purchases insurance coverage through commercial carriers for general and auto liability, auto physical damage, and certain property loss claims. The City is self-insured primarily for all other potential claims against the City. No reserves have been established by the City to fund any self-insured claims. All self-insured claims are funded through judgment levies placed on the tax roll and other expendable available resources.

**Workers' Compensation.** The City is self-insured for workers' compensation claims. The liability for these claims is paid currently by the City; no reserves have been established.

**Medical Claims.** The City had several commercial health insurance carriers through January 2001. Several of those carriers cancelled their health care coverage policies at that time, leaving certain employees without health care insurance. All employees were transferred to a new insurance carrier by May 2001. An unknown liability exists for claims incurred by uninsured employees from January 2001 to May 2001.

**Life and Dental Insurance.** The City's life and dental insurance coverage for eligible employees was cancelled in January 2001; the City is now self-insured for these benefits. An unknown liability exists for claims incurred by uninsured employees from January 2001 through June 2002. No reserves have been established by the City to fund these potential liabilities and no liabilities have been recorded as of June 30, 2007.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**4-C. Post-Employment Benefits**

The City provides post-employment life and health insurance coverage pursuant to union contracts, paying various percentages for these benefits depending on the particular contract. The City is self-insured for post-employment life insurance coverage. Certain retirees have co-pay obligations for these benefits, as provided by contract. During the fiscal year ended June 30, 2007, the net cost for post-employment benefits was \$656,628.

**4-D. Defined Contribution Pension Plans**

The City has a defined contribution pension plan for all non-public safety employees. Under such plan, benefits depend solely on amounts contributed to the plan along with investment earnings thereon. As established by the City, the employer contributes an amount equal to nine percent of employees' earnings and employees contribute six percent. For the year ended June 30, 2007, the City's contribution was \$51,943.

The district court is contributing to an unrelated defined contribution pension plan that was originally established, but then discontinued by the City. Under this plan, 6.5 percent was contributed on behalf of the employer; employee contributions are voluntary. For the fiscal year June 30, 2007, the employer's contribution was \$9,851.

In addition to the above, the City has funds on deposit with an earlier defined contribution plan vendor, but has not been able to reconcile the account or have it moved to another vendor/trustee.

**4-E. Defined Benefit Pension Plans**

The City has three defined benefit pension plans, which are summarized as follows:

**General Employees' Pension Plan.** The City of Highland Park Employees' Retirement System (ERS) is a single-employer defined benefit pension plan covering non-public safety employees of the City. As of November 1986, the City closed the ERS to all employees hired after that date. Vested members of the ERS as of that date were given the option of freezing their accrued defined benefit, payable at their normal retirement date, or joining the defined contribution plan. Members electing to join the defined contribution plan were refunded their ERS contributions and allowed roll them into that plan.

The ERS financial statements are prepared using the accrual basis of accounting. Member contributions, if any, are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The City of Highland Park is the administrator of the plan. Administrative costs of the plan are financed through investment earnings or paid by the City. The plan is included as a pension trust fund in the City's financial statements; a stand-alone financial report of the plan has not been issued. Plan amendments are under the authority of the City of Highland Park ordinances.

The prior Pension Board made certain plan investments that violated Public Act 314. Given State statutory requirements, the EFM has undertaken a plan to achieve compliance with respect to this investment that is financially prudent, although it may take several years to resolve.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

An actuarial valuation of the plan as of June 30, 2006 was completed and issued during fiscal year 2007. At that valuation date, the ERS's accrued assets approximated \$3.7 million, based on market values. The ERS had 157 persons with actual and potential claims on the System. The following is a summary of additional and required supplementary information:

**Schedule of Funding Progress**  
**(dollar amounts in thousands)**

<b>Actuarial Valuation Date</b>	<b>(a) Accrued Assets</b>	<b>(b) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>Funded Ratio Total</b>
06/30/1995	\$14,084	\$19,046	\$4,962	73.9%
06/30/1999	12,059	16,639	4,581	72.5%
06/30/2006	3,676	10,726	7,050	34.3%

**Summary of Actuarial Methods and Assumptions**

Valuation Date	June 30, 2006
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	4 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases*	5.5% - 9.3%
* Includes Inflation	5.5%

The actuarial valuation computed employer annual contribution requirements based on the aforementioned Remaining Amortization Period of 4 Years equaled \$2.0 million annually (10 Years - \$1.0 million, annually). The City contributed \$1,841, or 0.09 percent of the annual required contribution, during the fiscal year ended June 30, 2007.



CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**Police and Fire Retirement System.** The City of Highland Park Policemen and Firemen Retirement System (PFRS) is a single-employer defined benefit pension plan covering public safety officers employed of the City. This plan was closed as of November 1985 to new hires; active members at that time were terminated and enrolled under the MERS plan, which is described below.

The PFRS financial statements are prepared using the accrual basis of accounting. Member contributions, if any, are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The City of Highland Park is the administrator of the plan. Administrative costs of the plan are financed through investment earnings or paid by the City. The plan is included as a pension trust fund in the City's financial statements; a stand-alone financial report of the plan has not been issued. Plan amendments are under the authority of the City of Highland Park ordinances.

During fiscal 2003-04, certain plan retirees filed suit against the City to increase benefits pursuant to an agreement from 1996. After lengthy court proceedings, bonus payments originally ordered by the court were reversed and benefit payments were returned to the authorized base levels. Subsequently, the Highland Park Policeman and Firemen Retirement Association and one retiree, as putative class representative, filed an appeal against the City and the Board of Trustees and the City filed a cross-appeal. The Court of Appeals dismissed the appeal (and, therefore, the cross appeal) and informed appellants that they could file a motion for leave to appeal the denial of plaintiffs' motion to intervene only. Plaintiffs disregarded the Court's instruction and filed a Motion for Reconsideration, which was granted in part, allowing the appeal to continue on behalf of the one retiree only, but not as class action. During the year ended June 30, 2007, the Case was settled, the City paying certain legal costs of approximately \$33,000.

An actuarial valuation of the plan as of June 30, 2006 was completed and issued during fiscal year 2007. At that valuation date, the PFRS's accrued assets approximated \$369,000, based on market values. The PFRS had 95 persons with actual claims on the System. The following is a summary of additional and required supplementary information:

**Schedule of Funding Progress**  
**(dollar amounts in thousands)**

<b>Actuarial Valuation Date</b>	<b>(a) Accrued Assets</b>	<b>(b) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>Funded Ratio Total</b>
06/30/1995	\$4,006	\$16,432	\$12,426	24.4%
06/30/1999	3,452	15,845	12,393	21.8%
12/31/2002	321	11,454	11,133	2.8%
06/30/2006	369	8,139	7,770	4.5%

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**Summary of Actuarial Methods and Assumptions**

Valuation Date	June 30, 2006
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	4 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	N/A

The actuarial valuation computed employer annual contribution requirements based on the aforementioned Remaining Amortization Period of 4 Years equaled \$2.2 million annually (8 Years - \$1.3 million, annually). The City contributed \$1,527,025, or 68.27 percent of the annual required contribution, during the fiscal year ended June 30, 2007.

***Michigan Municipal Employees Retirement System (MERS).*** The City also participated in MERS as of June 30, 2007 – See note 4.1. *Subsequent Events*, for related discussions. MERS, an agent multiple-employer plan administered by the MERS Retirement Board, establishes and amends the benefit provisions of the plan participants. MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; covered employees, which are limited to public safety officers, are also required to contribute. The employer contribution requirements are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

The actuarially determined employer annual contribution requirements equaled \$1.1 million for the fiscal year ended June 30, 2007. The City made no (i.e., zero) contributions to MERS for annual required contributions for the fiscal year ended June 30, 2007.

The latest actuarial valuation dated December 31, 2006 uses the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increase of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The amortization period at December 31, 2006 was 11 years.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Schedule of Funding Progress**  
(dollar amounts in thousands)

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>Funded Ratio Total</b>	<b>(c) Covered Payroll</b>	<b>((b-a)/c) UAAL as a Percentage of Covered Payroll</b>
12/31/2002	\$ 3,951	\$ 21,682	\$ 17,731	18%	\$ 1,337	1326%
12/31/2003	8,542	23,091	14,549	37%	1,441	1010%
12/31/2004	7,644	23,544	15,901	32%	1,297	1226%
12/31/2005	6,295	23,686	17,391	27%	1,103	1576%
12/31/2006	4,910	23,907	18,997	21%	1,156	1642%

**4-F. Contingencies**

**Lawsuits.** The City is a defendant in various lawsuits and asserted claims. A provision in the amount of \$429,500 has been recorded in the General Long-term Debt Account Group for the estimated obligation for certain of these lawsuits and asserted claims. Management and legal counsel believe the City's ultimate exposure with respect to these actions is not determinable. No provision has been made in the accompanying financial statements for additional potential liabilities, if any, that may arise from the suits and asserted claims, or any unasserted claims that relate to current or prior activities of the City.

**Income Tax Refunds.** The City has recorded a liability in the General Fund totaling approximately \$393,000 of income tax refund claims filed by various taxpayers. Fiscal years 2000 through 2004 refund claims were refinanced with funds obtained through fiscal stabilization bonds and other general fund resources. Since fiscal year 2005, the City has paid refund claims based on its expendable available resources.

**Public Act 51 Noncompliance.** In July 2000, the State of Michigan began withholding Public Act 51 shared revenues for the City due to noncompliance with the Act. This came about when the City failed to repay an authorized lending of Act 51 funds from the Major and Local Street Special Revenue Funds to the General Fund for tornado damage repairs with the understanding that these loans would be repaid when Federal disaster reimbursements were received. Despite its agreement to repay the monies, the prior elected administration used the Federal reimbursements for other purposes and did not repay the Act 51 loan. Beginning July 2002, the State of Michigan Government began releasing current shared revenues to the City, but not the previously withheld funds due to Act noncompliance.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

By agreement reached during fiscal year 2004-05, the City agreed to establish a payment plan that requires monthly payments of at least \$1,000 from non-Act 51 funds until the balance is repaid in full. As of June 30, 2007, the outstanding loan balance was \$704,809, which is reported as advances receivable in the Major and Local Streets Funds and advances payable in the General Fund.

**Police and Fire Defined Benefit Pension Plan.** During fiscal year 2003-04, it was discovered that six retirees receiving pension benefits for the City's Police and Fire Retirement Systems (the "System") also were receiving benefits from the City's MERS plan in violation of the Municipal Employees Retirement Act of 1984, restated verbatim as Section 6(2) of the MERS Plan Document, effective October 1, 1996. Section 6(2) clearly prohibits a municipal employee, who is a member of MERS, from being a member of another municipal retirement or pension plan. Based on the discovery and suspecting fraudulent acts by the six retirees and others, the EFM suspended benefit payments from the System to the retirees in question, reported the alleged fraud to the Michigan Department of Treasury, and filed suit in Wayne County Circuit Court, requesting a declaratory judgment that payments from the System should be terminated.

The defendants claim that a settlement agreement from a prior lawsuit permitted their actions, have filed a counterclaim. The settlement agreement relied upon by the defendants violates the Michigan Public Employment Relations Act, which imposes a duty of collective bargaining on public employers and unions with respect to those matters that constitute mandatory subjects of bargaining, such as pensions. The exclusive bargaining agent for prior lawsuit's plaintiffs, the Police Officers Labor Council, did not authorize the filing of the prior suit, the settlement agreement or the receipt of double benefits.

The defendants' initial counterclaim contained a defamation count against the EFM and Interim Finance Director in their individual and official capacities. The defendants were granted leave to file an amended counterclaim that no longer sued the EFM and Interim Finance Director in their official capacities, but only as individuals. The defendants filed a separate suit in the Court of Claims alleging defamation against the EFM and Interim Finance Director in their official capacities, and against the Emergency Loan Board. Summary disposition was granted on behalf of each and the Court of Claims case was dismissed.

In addition to and beyond the legal matters discussed above, the Police and Fire defined benefit pension plan may not have sufficient reserves to pay future pension benefits much beyond the next fiscal year. The City also does not have sufficient resources to fund current and past due required contributions.

**Compensated Absences.** One of the City's more contentious issues involved employee claims for earned, but unused sick and vacation time. Between January 2002 and December 2003, the City received over 100 claims from employees and former employees through the Michigan Wage and Hour Bureau seeking payment for related reported time worked. The claims were disputed on the basis that they were overstated, unsupported and, in certain instances, noncompliant with applicable labor agreements. The greatest obstacle in defending these cases has been the complete lack of recordkeeping regarding these benefits.

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

Going forward, wage and hour liabilities have been largely resolved by collective bargaining agreements that limit banked time and/or specify methods of payout of forfeiture, which are manageable by the City. While employees still have banked time, the days of unsupported allegations of huge accrued amounts subject to immediate payout are likely a thing of the past.

**4-G. Going Concern / Management's Plans**

In August 2006 the City updated their deficit elimination plan previously approved by the State of Michigan in October 2005. The State approved the amended plan in September 2006. The plan included many items and called for the General Fund operating deficit to be eliminated during the 2008 fiscal year and the cumulative deficit eliminated by the 2009 fiscal year. The plan calls for the following:

- Increase in income tax revenue by amnesty programs and operational improvements.
- Creation of a special assessment district for street lighting .
- Increased traffic and ordinance enforcement and revenue.
- Sale of certain City owned property.
- Reductions in healthcare costs obtained through changes in the City's health plans.
- Reductions in public safety personnel costs.

The City succeeded in its annual goal for an operating surplus for the fiscal year ended June 30, 2007.

**4-H. Prior Period Adjustment**

During the fiscal year ended June 30, 2006, the City corrected an overstatement of previously accrued compensated absences. The effect of the prior period adjustment is as follows:

	<u>General</u>
Fund Balance (Deficit)	
June 30, 2006	\$(3,679,800)
Elimination of unpaid accrued compensated absences	1,450,000
	-----
Fund Balance (Deficit)	
June 30, 2006, as RESTATED	\$(2,229,800)
	=====

CITY OF HIGHLAND PARK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

(Continued)

**4-I. Subsequent Events**

In August 2007, the City's participation in the Michigan Municipal Employees Retirement System (MERS) was terminated by MERS. MERS agreed to maintain the City's retiree records and prepare the required monthly pension checks in accordance with the labor contracts as long as the City wired sufficient funds in advance to cover the checks. MERS is also maintaining the employee contributions received from the City through August 2007 and transferring the individual balances into separate accounts for each participant. MERS transferred the balance of the employer reserves at August 31, 2007 back to the City totaling approximately \$1,008,000. The City placed the reserves in a pension trust account and is using the balance to fund future pension contributions. The General Fund is responsible for funding all future contributions after the remaining reserves are exhausted in approximately February 2008.

In November 2007, voters approved an unlimited city wide tax levy (estimated at approximately 7 mills annually) to fund debt service related to pension bonds that are to be issued to fund the old MERS and current Employee Retirement Systems. The EFM believes the property tax levy combined with the projected \$1,000,000 annual savings from not contracting out the police department should be sufficient to fund the project debt service on approximately \$27,000,000 in pension bonds. The City is currently working with the State of Michigan, bond council and other financial experts to issue these bonds prior to the pension reserves running out in approximately February 2008. No bonds have been issued as of the date of this report.

\* \* \* \* \*

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

## **GENERAL FUND**



CITY OF HIGHLAND PARK, MICHIGAN

SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
GENERAL GOVERNMENT:			
City Council	\$67,450	\$67,581	\$(131)
Administration	137,160	148,201	(11,041)
District Court	556,939	563,452	(6,513)
Finance	300,862	278,779	22,083
Audit	48,000	46,389	1,611
Data processing	52,184	52,484	(300)
Income tax	76,843	79,746	(2,903)
City assessor	51,400	69,060	(17,660)
Legal	450,273	450,802	(529)
Judgments	575,000	375,216	199,784
City clerk	120,369	120,991	(622)
Human resources	60,500	61,662	(1,162)
Treasurer	117,050	117,912	(862)
Facilities	312,592	376,390	(63,798)
	-----	-----	-----
Total general government	2,926,622	2,808,665	117,957
	-----	-----	-----
PUBLIC SAFETY:			
Public safety	4,852,287	4,855,846	(3,559)
	-----	-----	-----
Total public safety	4,852,287	4,855,846	(3,559)
	-----	-----	-----
PUBLIC WORKS:			
Public service administration	182,571	175,684	6,887
Rubbish collection	440,000	443,146	(3,146)
	-----	-----	-----
Total public works	622,571	618,830	3,741
	-----	-----	-----
OTHER DEPARTMENTS:			
Inspection / Engineering	33,900	34,494	(594)
Code enforcement	34,135	36,139	(2,004)
Utilities	1,110,000	983,601	126,399
Parks and recreation	172,000	175,921	(3,921)
Community development	11,632	4,008	7,624
	-----	-----	-----
Total other departments	1,361,667	1,234,163	127,504
	-----	-----	-----

CITY OF HIGHLAND PARK, MICHIGAN

SCHEDULE OF EXPENDITURES AND TRANSFERS OUT  
BUDGET AND ACTUAL – GENERAL FUND  
(CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
EMPLOYEE BENEFITS AND OTHER:			
Pension contributions	1,620,000	1,563,301	56,699
Workers compensation	230,013	166,154	63,859
Employee benefits	643,040	545,759	97,281
Other charges	16,000	21,400	(5,400)
	-----	-----	-----
Total employee benefits and other	2,509,053	2,296,614	212,439
	-----	-----	-----
DEBT SERVICE:			
Principal and Interest	983,877	983,876	1
Debt issuance costs	37,033	37,033	-
	-----	-----	-----
Total debt service	1,020,910	1,020,909	1
	-----	-----	-----
TRANSFERS OUT	-----	-----	-----
	-	-	-
	-----	-----	-----
TOTAL EXPENDITURES AND TRANSFERS OUT	\$13,293,110	\$12,835,027	\$458,083
	=====	=====	=====

## **SPECIAL REVENUE FUNDS**

CITY OF HIGHLAND PARK, MICHIGAN

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS

AS OF JUNE 30, 2007

	Major <u>Streets</u>	Local <u>Streets</u>	Local Law Enforcement <u>Block Grant</u>	<u>Demolition</u>	Drug <u>Forfeiture</u>	Community <u>Projects</u>	FIA <u>Building</u>	Federal <u>Account</u>	Community Development <u>Block Grant</u>	CDBG Program <u>Income</u>	<u>Total</u>
<u>ASSETS</u>											
ASSETS:											
Cash and cash equivalents	\$768,273	\$832,975	\$30,467	\$1,100	\$20,192	\$ -	\$ -	\$ -	\$ -	\$58,010	\$1,711,017
Investments	-	-	-	-	-	-	1,398,545	-	-	-	1,398,545
Due from other governments	168,302	35,355	-	-	-	-	-	-	31,689	-	235,346
Due from other funds	-	-	-	1,027	-	-	-	-	-	-	1,027
Advances to other funds	111,763	593,046	-	63,835	-	34,114	-	69,102	-	20,445	892,305
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL ASSETS	\$1,048,338	\$1,461,376	\$30,467	\$65,962	\$20,192	\$34,114	\$1,398,545	\$69,102	\$31,689	\$78,455	\$4,238,240
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
<u>LIABILITES AND FUND BALANCES</u>											
CURRENT LIABILITIES:											
Accounts payable	\$12,609	\$117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,500	\$9,718	\$23,944
Due to other governments	-	-	29,526	-	-	-	-	-	-	-	29,526
Due to other funds	-	-	941	-	-	-	-	-	30,189	-	31,130
Deferred revenue	-	-	-	-	-	-	-	-	-	68,737	68,737
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total liabilities	12,609	117	30,467	-	-	-	-	-	31,689	78,455	153,337
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
FUND BALANCES:											
Reserved for advances	111,763	593,046	-	63,835	-	34,114	-	69,102	-	20,445	892,305
Unreserved, undesignated (deficit)	923,966	868,213	-	2,127	20,192	-	1,398,545	-	-	(20,445)	3,192,598
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total fund balances	1,035,729	1,461,259	-	65,962	20,192	34,114	1,398,545	69,102	-	-	4,084,903
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL LIABILITES AND FUND BALANCES	\$1,048,338	\$1,461,376	\$30,467	\$65,962	\$20,192	\$34,114	\$1,398,545	\$69,102	\$31,689	\$78,455	\$4,238,240
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF HIGHLAND PARK, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Local Law Enforcement Block Grant</u>	<u>Demolition</u>	<u>Drug Forfeiture</u>	<u>Community Projects</u>	<u>FIA Building</u>	<u>Federal Account</u>	<u>Community Development Block Grant</u>	<u>CDBG Program Income</u>	<u>Total</u>
REVENUES:											
Intergovernmental	\$1,535,878	\$426,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$947,107	\$19,962	\$2,929,835
Rental income	-	-	-	-	-	-	1,070,690	-	-	-	1,070,690
Interest and investment earnings	41,315	30,100	-	52	954	-	80,526	-	-	2,473	155,420
Other	-	-	-	1,027	-	-	-	-	-	-	1,027
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total revenue	1,577,193	456,988	-	1,079	954	-	1,151,216	-	947,107	22,435	4,156,972
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
EXPENDITURES:											
Current -											
General government	-	-	-	-	-	-	9,345	-	-	-	9,345
Public works	1,544,440	390,582	-	-	-	-	-	-	-	-	1,935,022
Other departments	-	-	-	-	-	-	-	-	947,107	22,435	969,542
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total expenditures	1,544,440	390,582	-	-	-	-	9,345	-	947,107	22,435	2,913,909
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Revenue over (under) expenditures	32,753	66,406	-	1,079	954	-	1,141,871	-	-	-	1,243,063
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER FINANCING SOURCES (USES):											
Transfers in	-	-	-	-	-	-	1,384,212	-	-	-	1,384,212
Transfers out	-	-	-	-	-	-	(1,127,538)	-	-	-	(1,127,538)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total other financing sources (uses)	-	-	-	-	-	-	256,674	-	-	-	256,674
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Revenue and other sources over expenditures and other (uses)	32,753	66,406	-	1,079	954	-	1,398,545	-	-	-	1,499,737
FUND BALANCES, Beginning of year	1,002,976	1,394,853	-	64,883	19,238	34,114	-	69,102	-	-	2,585,166
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
FUND BALANCES, End of year	\$1,035,729	\$1,461,259	\$ -	\$65,962	\$20,192	\$34,114	\$1,398,545	\$69,102	\$ -	\$ -	\$4,084,903
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

## **FIDUCIARY FUNDS**

CITY OF HIGHLAND PARK, MICHIGAN

COMBINING BALANCE SHEET  
FIDUCIARY FUNDS

AS OF JUNE 30, 2007

	Trust Funds			Agency Funds				
	General Employees' Retirement <u>System</u>	Police and Fire Retirement <u>System</u>	Total Trust Funds	Current <u>Tax</u>	Fire Insurance <u>Escrow</u>	30 <sup>th</sup> District <u>Court</u>	Total Agency Funds	<u>Total</u>
<u>ASSETS</u>								
ASSETS:								
Cash and cash equivalents	\$305,774	\$318,623	\$624,397	\$1,484,177	\$209,003	\$271,433	\$1,964,613	\$2,589,010
Investments	2,103,193	68,776	2,171,969	-	-	-	-	2,171,969
Due from other funds	-	-	-	-	267,040	-	267,040	267,040
Prepaid items	28,169	33,903	62,072	-	-	-	-	62,072
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL ASSETS	\$2,437,136	\$421,302	\$2,858,438	\$1,484,177	\$476,043	\$271,433	\$2,231,653	\$5,090,091
	=====	=====	=====	=====	=====	=====	=====	=====
<u>LIABILITES AND FUND BALANCES</u>								
LIABILITIES:								
Accounts payable	\$2,300	\$19,950	\$22,250	\$ -	\$ -	\$214	\$214	\$22,464
Due to other governments	-	-	-	825,439	-	80,143	905,582	905,582
Due to TIFA	-	-	-	29,875	-	-	29,875	29,875
Due to other funds	-	-	-	628,863	-	191,076	819,939	819,939
Deposits payable	-	-	-	-	476,043	-	476,043	476,043
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL LIABILITIES	2,300	19,950	22,250	1,484,177	476,043	271,433	2,231,653	2,253,903
	-----	-----	-----	-----	-----	-----	-----	-----
FUND BALANCES:								
Reserved for employees' retirement	2,434,836	401,352	2,836,188	-	-	-	-	2,836,188
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL LIABILITES AND FUND BALANCES	\$2,437,136	\$421,302	\$2,858,438	\$1,484,177	\$476,043	\$271,433	\$2,231,653	\$5,090,091
	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF HIGHLAND PARK, MICHIGAN

COMBINING STATEMENT OF NET ASSETS  
AVAILABLE FOR RETIREMENT BENEFITS

AS OF JUNE 30, 2007

	<u>General Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>	<u>Total</u>
ASSETS:			
Investments, at fair value -			
Money market accounts	\$1,491,394	\$68,776	\$1,560,170
Cash surrender value of life insurance	611,799	-	611,799
	-----	-----	-----
Total investments	2,103,193	68,776	2,171,969
	-----	-----	-----
Cash and cash equivalents	305,774	318,623	624,397
Prepaid items	28,169	33,903	62,072
	-----	-----	-----
Total assets	2,437,136	421,302	2,858,438
	-----	-----	-----
LIABILITIES:			
Accounts payable	2,300	19,950	22,250
	-----	-----	-----
Total liabilities	2,300	19,950	22,250
	-----	-----	-----
NET ASSETS HELD IN TRUST FOR BENEFITS	\$2,434,836	\$401,352	\$2,836,188
	=====	=====	=====



CITY OF HIGHLAND PARK, MICHIGAN

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>	<u>Total</u>
ADDITIONS:			
Investment income -			
Interest and dividends	\$108,929	\$3,116	\$112,045
Net appreciation in fair value of investments	363,801	4,647	368,448
Less investment expense	(1,040)	-	(1,040)
	-----	-----	-----
Total investment income	471,690	7,763	479,453
	-----	-----	-----
Contributions -			
Employer	1,841	1,527,025	1,528,866
Employees	1,617	-	1,617
	-----	-----	-----
Total contributions	3,458	1,527,025	1,530,483
	-----	-----	-----
Total additions	475,148	1,534,788	2,009,936
	-----	-----	-----
DEDUCTIONS:			
Pension benefits	1,412,197	1,148,539	2,560,736
Health care benefits, net	303,581	353,047	656,628
Administrative expenses	300	965	1,265
	-----	-----	-----
Total deductions	1,716,078	1,502,551	3,218,629
	-----	-----	-----
NET INCREASE (DECREASE)	(1,240,930)	32,237	(1,208,693)
NET ASSETS HELD IN TRUST FOR BENEFITS:			
Beginning of year	3,675,766	369,115	4,044,881
	-----	-----	-----
End of year	\$2,434,836	\$401,352	\$2,836,188
	=====	=====	=====